

**DEPARTMENT OF THE TREASURY**

**Office of Foreign Assets Control**

**31 CFR Part 575**

**Iraqi Debt Unblocked**

**AGENCY:** Office of Foreign Assets Control, Treasury

**ACTION:** Final Rule

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**SUMMARY:** The Office of Foreign Assets Control ("OFAC") of the U.S. Department of the Treasury is amending the Iraqi Sanctions Regulations, 31 C.F.R. part 575, to unblock debt in which the Government of Iraq has an interest.

**DATES:** This rule is effective [DATE OF FILING].

**FOR FURTHER INFORMATION CONTACT:** Chief of Policy Planning and Program Management, tel. 202/622-2500, or Chief Counsel, tel.: 202/622-2410, Office of Foreign Assets Control, Department of the Treasury, Washington, DC 20220 (not toll free numbers).

## **SUPPLEMENTARY INFORMATION:**

### **Background**

On August 2, 1990, upon Iraq's invasion of Kuwait, the President issued Executive Order 12722 declaring a national emergency with respect to Iraq. This order, issued under the authority of, *inter alia*, the International Emergency Economic Powers Act (50 U.S.C. 1701 *et seq.*), the National Emergencies Act (50 U.S.C. 1601 *et seq.*), and section 301 of title 3 of the U.S. Code, imposed economic sanctions against Iraq, including a complete trade embargo and a freeze of Government of Iraq property and interests in property, including any debt owed by the Government of Iraq ("Iraqi debt"). In keeping with United Nations Security Council Resolution 661 of August 6, 1990, and under the United Nations Participation Act (22 U.S.C. 287c), the President also issued Executive Order 12724 of August 9, 1990, which imposed additional restrictions. The Iraqi Sanctions Regulations, 31 CFR part 575 (the "Regulations"), implement Executive Orders 12722 and 12724 and are administered by the Treasury Department's Office of Foreign Assets Control ("OFAC").

On May 22, 2003, the United Nations Security Council adopted Resolution 1483, which substantially lifted the multilateral economic sanctions with respect to Iraq. On July 29, 2004, the

President issued Executive Order 13350 terminating the national emergency declared in Executive Order 12722 and revoking Executive Orders 12722 and 12724 and all other Executive orders based on that national emergency. Notwithstanding the termination of the national emergency, this new Executive Order, pursuant to the President's authority under section 207 of IEEPA (50 U.S.C. 1706), continues prohibitions with regard to transactions involving any property blocked pursuant to Executive Order 12722 or Executive Order 12724 that remains blocked as of July 30, 2004. Moreover, the new Executive order indicates that the termination "shall not affect any action taken or proceeding pending but not finally concluded" as of July 30, 2004, any action or proceeding based on any act committed prior to such date, or "any rights or duties that had matured or penalties that were incurred" prior to that date.

Because property blocked as of the termination of sanctions against Iraq remains blocked pursuant to Executive Order 13350, any Iraqi debt blocked pursuant to those sanctions has remained blocked. Because of the lifting of multilateral and U.S. sanctions against Iraq, including the resolution of issues relating to Iraqi debt, the Office of Foreign Assets Control is today issuing a new general license unblocking debt in which the Government of Iraq has an interest, subject to certain conditions.

First, notwithstanding the new general license, transactions that remained prohibited by paragraphs (b)(3) and (b)(5) of 31 CFR 575.533 continue to remain prohibited. Second, the general license does not authorize the purchase, exchange or settlement of debt in which the Government of Iraq has an interest utilizing funds or other property that is blocked pursuant to this part.

### **Procedural Matters**

Because the Iraqi Sanctions Regulations involve a foreign affairs function of the United States, the provisions in the Administrative Procedure Act (5 U.S.C. 553) requiring notice and public procedure and a delayed effective date are inapplicable. Because no notice of proposed rulemaking is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. Chapter 6) do not apply.

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Facsimiles of information are available through the Office's 24-hour fax-on-demand service: call 202/622-0077 using a fax machine, fax modem, or (within the United States) a touch-tone telephone.

#### **Paperwork Reduction Act**

The collections of information related to these regulations can be found in 31 CFR part 501. Pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3507) those collections of information have been previously approved by the Office of Management and Budget under control number 1505-0164.

#### **List of Subjects**

31 CFR part 575. Administrative practice and procedure, Banks, banking, Blocking of assets, Foreign trade, Iraq, Penalties, Sanctions.

For the reasons set forth in the preamble, 31 CFR chapter V is amended as follows:

**PART 575—IRAQI SANCTIONS REGULATIONS**

1. The authority citation for part 575 continues to read as follows:

Authority: 3 U.S.C. 301; 18 U.S.C. 2332d; 22 U.S.C. 287c; Pub. L. 101-410, 104 Stat. 890 (28 U.S.C. 2461 note); 31 U.S.C. 321(b); 50 U.S.C. 1601-1651, 1701-1706; Pub. L. 101-513, 104 Stat. 2047-2055 (50 U.S.C. 1701 note); E.O. 12722, 55 FR 31803, 3 CFR 1990 Comp., p. 294; E.O. 12724, 55 FR 33089, 3 CFR, 1990 Comp., p. 297; E.O. 12817, 57 FR 48433, 3 CFR, 1992 Comp., p. 317; E.O. 13350, 69 FR 46055, July 29, 2004.

**Subpart E -- Licenses, Authorizations, and Statements of Licensing Policy**

2. A new section 575.535 is added to read as follows:

**§ 575.535 Iraqi Debt Unblocked.**

(a) Except as provided in paragraph (b) of this section, all transactions otherwise prohibited by this part that involve debts in which the Government of Iraq has an interest are authorized.

(b) For purposes of this part:

(1) This section does not authorize transactions that remain prohibited under the terms of paragraphs (b)(3) and (b)(5) of

section 575.533 of this part.

(2) This section does not authorize the purchase, exchange or settlement of debt in which the Government of Iraq has an interest utilizing funds or other property that is blocked pursuant to this part.

Dated: 9/6/05

Robert W. Werner,  
Robert W. Werner,  
Director, Office of Foreign Assets Control.

Approved: ✓

Stuart A. Levey  
Stuart A. Levey  
Under Secretary of the Treasury, Office of Terrorism and  
Financial Intelligence, Department of the Treasury.

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